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The role of human resources in business model performance

In the last decade, the fields of intellectual capital, competitive strategy and organization have been complemented by a rising focus on how unique ways of reorganizing existing business concepts, i.e. new types of business models, are able to leverage strategy and thereby also increase chances of corporate sustainability. A business model can be thought of as a sustainable way of doing business, where sustainability stresses the ambition to survive even harsh business landscapes and create profits in the long run. Thereby, it is also evident that a business model must be able to incorporate changes in organisational structure, strategy and competition.

One way of viewing a business model is as a description of the coherence in the strategic choices, which makes possible the handling of the processes and relations that create value on the operational, tactical and strategic levels in the organization. The business model may also be perceived as the platform that connects resources, processes and the supply of a service, which results in long-term profits.

Much progress within the field of business models has been consulting-driven, and research in the field is - if not lacking - then at least behind schedule. Of the research that has been conducted, much focus has concerned the advantages of e-business models, new revenue structures, a planning metric for executing strategy, an overview of the corporate concept as well as tools for generating new variants of existing business models. Moreover, research on business model performance has to a large extent focused on customer/product delivery, alignment of corporate risks and optimizing cost-revenue structures.

The rise of new types of business models, e.g. based on loosely coupled networks and multisided platforms of value creation, could potentially challenge exiting ways of doing business as the very structure of organization and value-realization is altered. Perhaps it can even be argued that the traditional fields of accounting, finance, marketing and organization as we know them today, will become obsolete in a world of network organizations and social-community based business models, which create whole new sets of stakeholder tensions. Despite such developments in business, i.e. communities, knowledge, collaboration, networks, innovation, the many of the traditional professions have not kept pace.

The question therefore arises: "What is the role of human resources and competences in relation to business model success?" Despite the fact that the competence-based strategy literature, as well as a series intellectual capital based management models took their point of departure in the ability to mobilize and develop employee competences and thus also human resources, recent research seems to largely have ignored the role of human resources in the success of specific and generic business model setups.

Introduction to the papers

This special issue is comprised of five papers that pose five very different interpretations of the special issue call for papers. Together they give a unique perspective on the importance of studying human resources from a human resource accounting and business model perspective.

The first paper in this special issue is a neat conceptual exploration of how the themes of corporate culture and business models correlate and intertwine. In their analysis, Flamholtz and Randle discuss these concepts and analyze theoretical and measurement issues in their wake. As such this paper enhances our understanding of the role and effect of corporate culture as a strategic (human resource-based) asset upon the success of business models.

Flamholtz and Randle relate their arguments to empirical examples gathered from their extensive repertoire of case studies of large multinational corporations and they examine four related notions: 1) that corporate culture is an “asset”; 2) that it is a “strategic asset” in the sense of comprising a source of competitive advantage; 3) that it might well be the “ultimate strategic asset” and 4) that culture as a strategic asset can be the essence or core of a business model. The paper argues that corporate culture is a strategic asset, which, if managed properly can be the key differentiating factor in a successful business model. However, the authors also conclude that when not managed properly, such assets can very easily be transformed into liabilities.

As such, Flamholtz and Randles’s paper articulates the importance of not only treating and managing human resources in a correct fashion, but also of acknowledging that human resources and corporate culture to a rising degree may become the competitive advantage of businesses. We may ponder that under certain circumstances this is more important than in others. For example, the last two papers of this special issue by Lund and Nielsen & Montemari study a series of network-based business models where relationships among strategic partners are stretched and tested. In such instances the focus on culture may well be at the center of the business model.

In the second paper of this issue Björke offers a conceptual stance on similarities and differences between popular business model frameworks and the somewhat more ageing concepts of human resource costing and accounting (HRCA). He studies the case of self-employed entrepreneurs from a philosophical stance he queries how the two presented concepts of business can encapture the entrepreneurial spirit and happiness of such “organisations”. As such, Björke’s paper provides a conceptual perspective on the two models and at the same time relates the discussion to a case study on a series of small and medium sized enterprises.

Björke’s findings suggest that while the business model and HRCA concepts share a common purpose, they try to realise this by providing different qualities to the organisation. Whereas business model frameworks attempt to realise dreams and ambitions in a strategic and forward-looking manner, the HRCA-based conceptualization rather supports displacements of threats towards organisations and managers. This difference is argued to be a potential source of friction, which may be overcome by introducing the theory of happiness - a novel perspective providing crucial information of the function of the two types of business schemes. Without it being the explicit purpose of the paper, Björke contributes to moving the field of business models into the realm of management control. Several theories of management control too discuss the inherent problems of aligning mission and vision type management styles with aspects of risk management and controlling, almost in a Simons like fashion. This is an important take on new types of business models, as these will introduce new tensions among internal and external stakeholder groups.

The next paper by Rimmel, Dergård & Jonäll studies human resource disclosures in Danish Intellectual Capital Statements. Scandinavia, and Denmark in particular, was a pioneer when it came to visualizing the value relevance of intellectual capital, knowledge, competencies and

human resources. The Danish Intellectual Capital Statement guideline Mouritsen *et al.* (2003a) was unique in the sense that it took the perspective of use value to customer and users of the company's products/services as a point of departure for understanding value creation. This stance has in recent years more or less become the norm especially in the business model literature where e.g. Osterwalder & Pigneur's (2010) popular Business Model Canvas has the value proposition for the customer as a central notion.

Rimmel, Dergård & Jonäll's study set out to determine whether the human resource disclosures in IC statements are able to enhance the comparability of business model performance among companies. Their analysis, which mobilizes the less well-known, but simultaneously released "Analysis guideline for Intellectual Capital Statements" (Mouritsen *et al.* 2003b) previously applied in e.g. Nielsen *et al.* (2006), reveals that it is in fact feasible to analyze intellectual capital statements systematically and to use them for comparing corporate business models. In addition, the paper shows that intellectual capital statements, which convey company-specific information on human resources, play a role in corporate value creation. One question that these authors do not contemplate is to which degree these sorts of statements are today still present in Scandinavian business reporting and whether or not there are any connections with ongoing debates such as health and well-being, CSR and business models.

In the final paper of this special issue, Nielsen & Montemari study the role(s) of the individual employee(s) in the value creation process of three network-based business models. This analysis is conducted through the use of case studies. The paper focuses on how the relationships between the network-partners internally and also outside the business network affect value creation.

While the initial focus of the study is the human capital aspect of value creation and not so much on the other dimensions of the business model, like e.g. strategic partnerships financial assets and resource the cases illustrate that there are strong interactions between human resources and these other dimensions.

The paper argues that human resources are most valuable in delivering value to customers when they are mobilized as mediators for other resource types such as financial capital, processes and other types of structural capital. As such, human resources were responsible for activating the business models and making them dynamic.

Human resources also played important roles in forming relationships among the network partners constituting the businesses under scrutiny. While the respondents spent much airtime praising the flexibility of human resources, their importance in network-based businesses and their role in value creation, the following analysis revealed contradictory notions of the same set of resources. While human resource dependence was important, they too became problematic for network-based businesses because they entailed risks.

This latter paper offers some imperative points for further research. Firstly, the notion of management is left rather unaddressed in this paper, apart from the fact that a lack of consequence-structure could be problematic in instances of conflict and disagreement. It would be interesting to pursue notions of creating management-ability in network-based business models without ruining the advantages of these by condemning them to a life of ordinary business. Questions such as; In which way do we go about solving problems of misalignment and how this challenges management, and how does management cope with fragile resource/relationship situations? Furthermore, is it possible to create a performance

measurement system that can tackle a loosely coupled dynamic environment; and which at the same time leads to sensible management decisions?

Moving on

The papers that comprise this special issue illustrate, albeit in different manners, the importance of taking human resources into account when working with business models. Whether it is the case of trying to understand the uniqueness of a business and its competitive advantage, trying to come to terms with how to manage a business or trying to communicate with external stakeholders, the five papers that make up this issue provide important insight to decision-makers.

Finally, these papers illustrate the importance of addressing a highly multi-disciplined field from an interdisciplinary perspective. This is precisely the goal of the Center for Research Excellence in Business models (CREBS, see: www.crebs.aau.dk). In CREBS we live by the motto that nothing is too good to get a new business model. As such we ask ourselves in every aspect of our research and daily work whether we could do this a little bit differently – and more importantly whether doing things a little differently can create a win-win situation for our counterparts, and us, whether they be students, academics or corporate collaborators. This is for example why we chose to publish our new textbook on business models (Business Models: Networking, Innovating and Globalizing) for free via an Internet-based publisher that pays us a revenue stream based on advertisements in the textbook. But that was not enough for us. Since business models are dynamic, so is the textbook, which will be revitalized four times a year, in turn creating higher traffic, more downloads and a bigger revenue stream to us. At the present we are initiating the Journal of Business Models. It will be an open source journal with its own business model, naturally. But what will it be, precisely? Tune in on www.journalofbusinessmodels.com to find out more.

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